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SUBJECT: KOCHARIAN PLEDGES CONTINUED REFORM TO MCC'S
DANILOVICH

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Classified By: CDA A.F.Godfrey for reason 1.4 (b,d)

Summary

1. (C) In a June 12 meeting with President Kocharian, Millennium Challenge Corporation (MCC) CEO Ambassador John Danilovich said that the good progress toward international standards shown during Armenia's May 12 parliamentary elections was good news for MCC and would certainly be welcomed by MCC's Board of Directors. He pressed for further progress on investigations of allegations of electoral misconduct and for further legislative reforms when the new parliament convenes. Kocharian welcomed MCC's acknowledgment that elections were a step forward and thanked Danilovich for Armenia's strong MCC program. He declared his commitment to further reforms across the policy spectrum and pledged that there would be "absolutely no problems" with implementation of the MCC Compact. Kocharian said that there had already been convictions for electoral fraud and that other investigations were ongoing. End Summary.

Appreciation for MCC's Program

2. (C) Amb. Danilovich's June 12 meeting with Kocharian was the last official meeting during a productive four-day visit to Armenia. With Danilovich was CDA, MCC Country Director Alex Russin and MCC Senior Advisor Tim Docking. Kocharian was accompanied by Senior Economic Advisor (and Millennium Challenge Armenia Governing Council Vice-Chair) Vahram Nercissiants and other key staff. Kocharian showed he was well informed about the delegation's earlier meetings with other officials and thanked Danilovich for his personal engagement on the Armenia compact and for his passion to ensure the MCC programs succeeded. Kocharian was at ease, confident that the MCC compact with Armenia was on track and genuinely interested in learning how he could better support the implementation process.

MCC: Good News on Election, But Keep Pushing Reform

3. (C) As he did in each of his official meetings (septel) Amb. Danilovich explained prospects for the institutional development of the MCC. Danilovich assured Kocharian that the Corporation had strong bilateral support in Congress. MCC had been watching the May 12 election with very close interest, Danilovich said, and noted the general consensus of the international community that it marked an important step forward in Armenia's democratic development. It was very important for MCC to be able to give the U.S. Congress and the MCC Board a good report about Armenia, and "I am pleased that I can give them good news," said Danilovich. Most

important now, he continued, was to follow through on investigations and prosecutions of electoral wrongdoing and to press forward the reform process. "We are able to continue our commitment in Armenia as long as there is good progress in the right direction," said Danilovich.

¶4. (C) Kocharian thanked Danilovich for his attention to the Armenia program. Armenia's record on meeting benchmarks and implementing international assistance programs was strong; Armenia's World Bank programs continued to get top marks. The MCC program was essential; Armenia's future depended on development of rural infrastructure; the explosion of growth in the capital was not sustainable and MCC's programs would be an important counter to the internal migration trend -- begun by design during Soviet times -- to Yerevan.

¶5. (C) Kocharian said that Armenia's commitment to reforms was unshakable; without energy resources, continued economic growth depended on efficiency. He said that at an earlier stage in Armenia's development, the incentive of qualifying for foreign assistance was in some cases the Government's key motive to reform, but that was no longer the case. "We are carrying out these reforms not for MCC, but for ourselves," Kocharian said. He said that he believed one of the most important recent achievements in Armenian society was that there was "complete consensus among all of Armenia's elite" that reforms, in all policy areas, should continue, yet acknowledged that there was some healthy disagreement on what shape these reforms should take.

¶6. (C) Kocharian was well-briefed on the status of investigations into electoral misconduct and, when questioned by CDA, was ready to explain in detail the status of one district which faces a re-run of the election. He told Danilovich that Armenia would continue to improve its electoral performance in advance of Presidential elections and said that "absolutely no problems" would interrupt the

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implementation of the MCC Compact.

¶7. (U) Ambassador Danilovich did not have an opportunity to clear on this telegram.
GODFREY